

# Sensitivity analysis of climate change risk assessment

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6th September 2024

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# Chapter 1

## The necessary background

### 1.1 Introduction

Climate risk assessment is becoming central in contemporary activities related in any way to the environment and whose assets could be affected by climate change. In particular, climate change risk assessment is a topic more and more organizations are considering in their decisions.

A climate change risk assessment for a given system is the analysis of the impacts of and the responses to climate change regarding that system. Various guidelines are available for these kind of risk assessments (cf. [16, 9, 23, 2]) and slight variations of them are adopted by authors, but they do not specify precisely the practical details of the assessment. In particular, there is no objective method to choose the climate indicators used in the assessment, but they are selected according to their effectiveness in scientific literature and in previous assessments, combined with the personal experience of the authors. The choice of the indicators is far from objective.

#### 1.1.1 Climate risk

But what is risk? Before introducing the methodology adopted to evaluate risk in the present work, first it is convenient to introduce a proper terminology. In this work definitions by International Organization for Standardization (ISO) are used for their concision. When some terms are not available, they are taken from Intergovernmental Panel on Climate Change (IPCC). Both sources have similar definitions for the same terms.

Risk is a general term which can be tailored to different contexts and applications as a measure of uncertain consequences on a system of interest.<sup>1</sup> A system is very broadly any concrete or abstract entity which can be affected by risk.

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<sup>1</sup>Without delving into Philosophy, a source of change is needed to have consequences and it is specified by the definitions in use.

**Example**

Some possible systems which can be exposed to risks are any physical system, communities of people, an idea.

A paradigmatic example is the financial sector, where the concept of risk is widely known and is connected directly to economic value and the concept of portfolio, to the point that financial risk management can be considered a research field itself.[3] Examples on how other fields implement the concept are elaborated in [12, p. 14] and in [21].

In this work the risk related to climate change is: “effect of uncertainty”, from [16].<sup>2</sup> IPCC proposes a similar definition, expanding on the entities involved (e.g. the possible systems) and the contexts in which the term is used, but focusing only on negative effects: “The potential for adverse consequences for human or ecological systems, recognizing the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. Relevant adverse consequences include those on lives, livelihoods, health and well-being, economic, social and cultural assets and investments, infrastructure, services (including ecosystem services), ecosystems and species. [...]”, from [17, p. 2246]. An important aspect of climate risk is that it originates both from impact of climate change, i.e. “effect on natural and human systems (3.3)”, from [16], and any response to it, i.e. action enacted to mitigate the effects of climate change or adapt to it. It is not common to see responses integrated into risk assessment, as exposed by [22, p. 492], and for the purposes of the present study they are neglected. Henceforth, terms climate risk and risk are used interchangeably.

To make the assessment easily extensible and modular, risk is defined as the result of the interaction of three elements, i.e. its determinants, namely hazard, exposure and vulnerability. Response is considered the fourth determinant of risk, when the adopted methodology includes it in the assessment. Definitions of determinants were introduced in [11, pp. 69–70] and offer a change of direction from previous methodologies centered on the concept of vulnerability of the system instead of the overall risk (cf. [23] and [12]).

The hazard is defined by ISO as “potential source of harm”, from [16] and is elaborated further by IPCC on which subjects it applies to. No particular reference is made to the climate system in the definitions, hence IPCC provides the more specific term climatic impact-driver (CID) in [17, p. 2224] to address to climate-related physical phenomena and with a neutral connotation (cf. [21, p. 10] or [20, pp. 1871–1872]). In the following the term hazard is used to address to climate-related hazards for brevity.

<sup>2</sup>Note that this definition is not specific to climate risk since no reference to climate is made.

The exposure of a system is determined by “presence of people, livelihoods, species or ecosystems, environmental functions, services, resources, infrastructure, or economic, social or cultural assets in places and settings that could be affected”, from [16].

The vulnerability of a system is “propensity or predisposition to be adversely affected”, from [16]. Properties of the system which determine its vulnerability may be classified further in sensitivity, i.e. “degree to which a system (3.3) or species is affected, either adversely or beneficially, by climate (3.4) variability or change”, from [16], and adaptive capacity, i.e. “ability of systems (3.3), institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences”, from [16]. This classification in general helps the analysis of the system and the identification of responses, e.g. adaptation measures may increase the adaptive capacity of some elements of the system.

Each determinant may be viewed as a collection of elements, which are of different nature depending on the determinant they belong to, but are addressed generically as drivers.<sup>3</sup> CIDs with negative impacts are effectively drivers within the hazard determinant which are related to the climate system. Hazard drivers used in the present work are selected from the taxonomy provided by European Union for climate change risk assessment (CCRA), to have a well-known and authoritative reference in the field.[4, p. 177] Physical elements of the system may be effectively considered as drivers of exposure.<sup>4</sup>

#### Example

A tropical storm is a driver within the hazard determinant,[12, p. 15]  
income is a driver within the vulnerability determinant,[22, p. 493]  
airport structures (e.g. runways, aprons, terminals) in an airport (i.e. the system) are drivers within the exposure determinant.[7, p. 551]  
More examples are available in the references.

The concept of driver of risk is borrowed from [22] to allow a smooth extension to methodologies where risk is the result of complex interactions within and across determinants. In section 1.1.3 this topic is described further.

For a quantitative CCRA, numerical values must be associated to drivers. These values are called indicators and defined by ISO as: “quantitative, qualitative or binary variable that can be measured or described, in response to a defined criterion”, from [16].<sup>5</sup> There can be more than one way to

<sup>3</sup>When this terminology is not applied, it is common to refer to drivers with the name of the determinants they belong to, e.g. drivers within the vulnerability determinant are simply called vulnerabilities.

<sup>4</sup>In literature different terms are used to refer to drivers within the exposure, e.g. *assets* or *exposed sample* in [7].

<sup>5</sup>The definition by IPCC is not as general because focuses only on the climate system

describe numerically the same driver, hence the choice is not unique and the resulting risk may be affected by it. In the following, the term indicator written alone refers to an indicator of a driver within the hazard determinant, to relax the lengthy wording. For the other determinants the full qualification is used.

Having introduced the definitions above, the various components of risk can be arranged as in figure 1.1. It sums up the relation between the various components, highlighting the fact that risk depends on drivers from three independent categories and are quantified possibly in multiple ways.

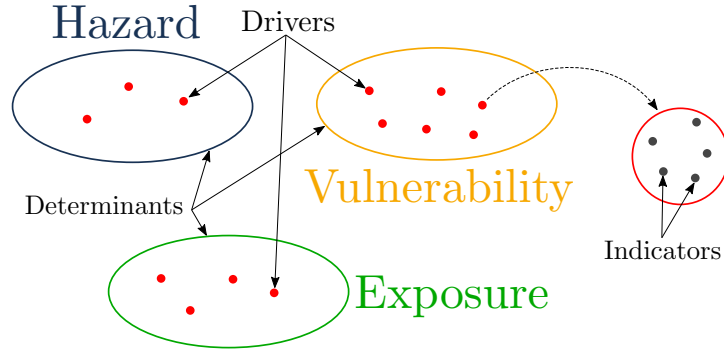


Figure 1.1: A possible representation of the components of climate risk. Climate hazards can affect exposed and vulnerable elements of the system and determine a risk for it. Collectively these factors are called drivers and can be grouped in the three independent determinants of risk: hazard, exposure and vulnerability. To provide quantitative results, each driver is described by numerical values, i.e. the indicators, each providing a different possible description or measure of the same driver.

### 1.1.2 Methodology

Restricting the treatise to climate-related applications is not sufficient to fix details on risk, e.g. how to evaluate it from its determinants. These implementation details depend on which methodology is chosen to perform the risk assessment, which is presented in this section and is defined operatively in section 2.2.

The methodology of CCRA applied in the present work follows [23] and its upgrade [12] to the concepts presented in section 1.1.1. The latter should be read in parallel with the former and supersedes the outdated concepts.

This methodology is split in eight modules, each dependent on the previous ones. The following is an overview of them:

1. understand the context in which the assessment is framed and identify objectives, scope and resources involved; [23, pp. 39–53]

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and there is no specific term for the same concept applied to the other determinants.

2. identify risks and impacts affecting the system under study and determine drivers of hazard, exposure and vulnerability;[12, pp. 26–41]
3. choose indicators for each driver of hazard, exposure and vulnerability;[23, pp. 73–84]
4. collect data and quantify indicators;[23, pp. 87–103]
5. normalise indicators to allow their comparison;[23, pp. 105–119]
6. for each determinant, weight normalised indicators and aggregate them into a single value;[23, pp. 121–131]
7. aggregate values for individual determinants into a single value for risk;[23, pp. 133–141]
8. present the results of the CCRA.[23, pp. 143–154]

When the vulnerability of the system is recalled, it is split into sensitivity and adaptive capacity if possible.

Even if a complete application of this methodology does not fall into the purposes of the present study, each module is briefly addressed in section ?? when case studies are treated.

### 1.1.3 Complex risk

Unlike other types of risk assessment, e.g. probabilistic risk assessment, CCRA focuses on interactions between drivers instead of estimating their likelihood.[12, pp. 20–21] However, it is common to study each determinant in isolation. Instead, an integrated risk assessment which is able to relate drivers within and across determinants would be able to describe the overall risk more accurately.[15, pp. 145–147]

Interacting elements are not considered mainly because it is more difficult to formalise the interactions. In [22] the list of complex risk adopted by IPCC in Sixth Assessment Report (AR6) is extended, to allow more granularity in the assessment, and three categories of complex risk are proposed. The objective is to build a framework which helps to address to complex interactions more easily, thus helping their adoption in CCRA. Response is included in the determinants, e.g. to introduce negative effects on vulnerability due to maladaptation. Depending on what is the origin of risk, the categories are:[22, p. 493]

1. interacting drivers within the same determinant;
2. interacting drivers across different determinants;
3. interacting risks.

In general, category 1 is considered as long as the methodology admits an aggregation of drivers to obtain each determinant.

#### Example

Flood risk in a geographical area is assessed. First, only artificial constructions are considered as system. The change in time of precipitation and temperature, i.e. drivers of risk within the hazard determinant, are aggregated to give a measure of the hazard. With this value and the analogous values of the other determinants, a category 1 risk can be evaluated, which measures the interaction of its determinants only defined by the methodology and lacking a particular meaning. A collateral change in soil properties due to precipitation and temperature is added to the study. This results in a decrease of soil adaptive capacity, hence an increase of the vulnerability of buildings in that area. This interaction belongs to category 2. A second iteration of the CCRA moves the focus to human activities in the area under study. When the correspondent risk is evaluated, it can be merged with the risk value found previously to summarise the overall flood risk, which becomes a category 3 complex risk.

All three categories of complex risk are present in the methodology. In module 6 indicators are aggregated within the same determinant (i.e. category 1 complex hazard). Moreover, the concept of intermediate impact, which mediates drivers of hazard and vulnerability, are a form of category 2 complex hazard.[12, p. 33] Sub-risks addressed in module 7 may fall into category 3.

In the present work only category 1 is considered, as there is no particular relation between drivers within different determinants, except for the usual aggregation defined in module 7 needed to obtain the final risk. Nevertheless, extending the current study by introducing complexity through the other categories may be interesting to test the robustness of the results.

From a mathematical point of view, complex interactions between drivers translate to mathematical functions which relate indicators. They may be treated as additional indicators to consider in the aggregation of determinants.[19, pp. 39–40] In the methodology used in this work, no particular interaction is considered between drivers across determinants. Indicators are related only by the functions which are chosen in the aggregation procedures of modules 6 and 7.

#### 1.1.4 Structure of the document

Each section of the document treats a different aspect of the analysis. A general understanding of the concept of risk and the associated terms are



useful to frame the problem, they are presented in section 1.1.

Given the relevance of data, the whole section 2.1 is dedicated to them. Information on climate datasets and system-dependent data are described, along with any elaboration applied. The problem and the methodology are described mathematically in section 2.2.

The methodology is then applied to two case studies in section ??, where system-specific data and results are analysed. In section ?? the application of the sensitivity analysis (SA) to the case studies is assessed. Finally in section ?? the final considerations on the study and its applicability are summarised.

## Chapter 2

# The math behind risk

### 2.1 Data

Climate data show great complexity in structure and availability (e.g. essential climate variables (ECVs) can be represented as multidimensional objects, some climate datasets are collections of ECVs). For these and other properties discussed in [10], climate data can be regarded as big data.

In this work a generic ECV  $T$  can be represented mathematically as a scalar function

$$T : S_{\text{lat}} \times S_{\text{lon}} \times S_{\text{time}} \rightarrow \mathbb{R} \quad (2.1)$$

where  $S_{\text{lat}}$ ,  $S_{\text{lon}}$  and  $S_{\text{time}}$  are domains of latitude, longitude and time dimensions, respectively.<sup>1</sup> Every numerical value is equipped with proper units of measurement, to represent physical quantities correctly. As a consequence, the codomain in equation (2.1) is partially wrong: with an abuse of notation, it represents only the magnitude of the ECV and does not consider the unit of measurement. This is a small exception to simplify the notation and in the remainder of this document units of measurement are always addressed explicitly.

A more practical representation of  $T$  is a multidimensional array, where values in the domain are coordinates associated to each dimension and each entry of the array is the result of  $T$  evaluated on those coordinates. Figure 2.1 shows this representation visually. In the following, this representation is used to simplify the discussion and same ECV name is used both for the function and the multidimensional array.

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<sup>1</sup>In contexts related to Machine Learning these objects are called tensors. Since they may not satisfy the mathematical definition of a tensor, in particular the map may not be multilinear and the numerical sets may not be vector spaces, no reference to such objects is made in this work.

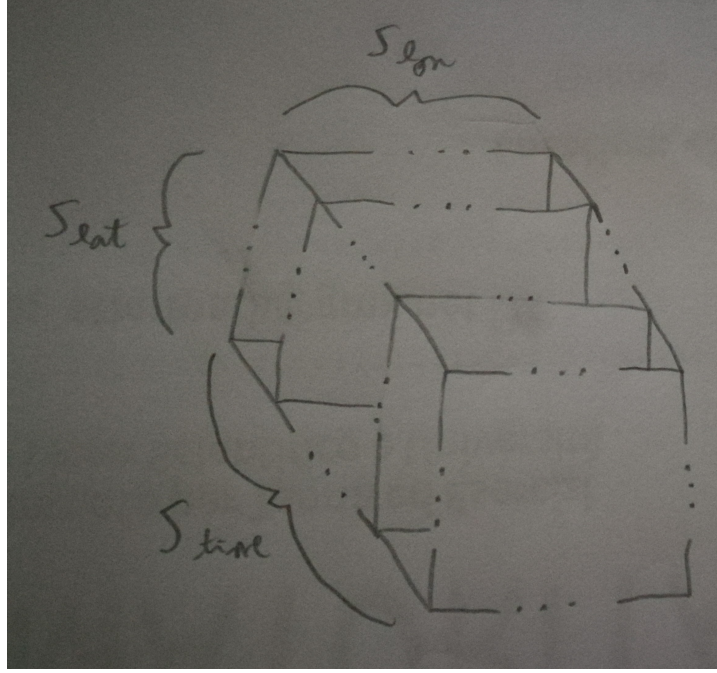


Figure 2.1: Representation of a generic ECV as multidimensional array.

### Example

Near-Surface Air Temperature, symbol  $t_{as}$ , is available for some coordinates and timestamps. It can be seen as the scalar function in equation (2.1), which associates each value in set  $S_{lat} \times S_{lon} \times S_{time}$  to a value with unit K, or it can be represented as the multidimensional array in figure 2.1, where each entry is function (2.1) evaluated at the corresponding coordinates.

As a visual aid when generic symbols are used, capital letters represent both functions and multidimensional arrays, the former being followed by the arguments in parentheses when there is an explicit reference to their values. Instead, lowercase letters are used for functions and values which are one dimensional.

Normals used as reference depends only on spatial coordinates, hence they are functions

$$\bar{T} : S_{lat} \times S_{lon} \rightarrow \mathbb{R} \quad (2.2)$$

or equivalently, multidimensional arrays with spatial coordinates only. Normals are evaluated as explained in [1, p. 6] using an averaging period  $S_{clim}$  specific to each case study (cf. section ??).

Indicators of drivers within the hazard determinant are functions of ECVs and additional parameters. In general they are aggregated over the temporal

dimension and are non-linear functions of their arguments. An indicator  $I$  can be defined mathematically as

$$I : S_{\text{lat}} \times S_{\text{lon}} \times S_y \times \prod_{p \in P_I} S_p \rightarrow \mathbb{R} \quad (2.3)$$

where  $S_y$  is a set of the years considered during the analysis,  $P_I$  is the set of parameters for that indicator and  $S_p$  is the set of values available for each parameter  $p \in P_I$ .<sup>2</sup> In the following,  $\text{in } \prod_{p \in P_I} S_p$  represents the set of arguments passed to the indicator, in other words the coordinates of  $I$  as multidimensional array. Evaluation is performed for each year, i.e. the indicator has yearly resolution or is evaluated with yearly frequency. As a consequence, the elements of set  $S_y$  are references to the years taken into account during calculations.

An indicator can be represented as a multidimensional array, similarly to ECVs. The dependence of an indicator on ECVs is not clear in the definition given by equation (2.3), but in the following this is made explicit by the context or by the definition of the indicator.

### Example

The indicator  $\text{TX}_x$  is evaluated for the period 1991-2020 with yearly frequency. This indicator is the monthly maximum value of daily maximum temperature,[8] hence:

- it depends on ECV  $\text{tasmax}$  defined at daily frequency over the considered period,

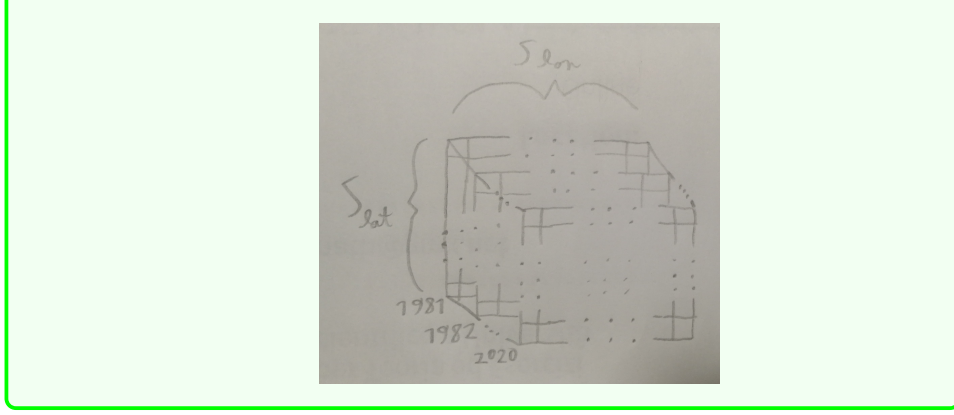
$$S_{\text{time}} = \left\{ t : \begin{array}{l} t \text{ day from 1st January 1991} \\ \text{to 31st December 2020} \end{array} \right\} \quad ;$$

- spatial dimensions are not specified, hence the evaluation is performed for each point of an arbitrary set  $S_{\text{lat}} \times S_{\text{lon}}$ ;
- no additional parameters are required,  $P_{\text{TX}_x} = \emptyset$ ;
- the outcome is a scalar value for each year in the period,

$$S_y = \{1991, 1992, \dots, 2020\} \quad ;$$

- the multidimensional array representation of the indicator is in the following figure, where each entry is a real value with unit K:

<sup>2</sup>As a symbolic shortcut, if  $P_I = \emptyset$  then the indicator is defined only over  $S_{\text{lat}} \times S_{\text{lon}} \times S_y$ .



Indicators of drivers within exposure and vulnerability determinants may be defined similarly as the hazard determinant as scalar functions depending on specific variables characterising the system.

## 2.2 Methods

### 2.2.1 Evaluation of indicators

This section explains the process to obtain a scalar value for each determinant, following the methodology presented in section 1.1.2. Modules 3, 4, 5 and 6 are recalled. Suppose a set of drivers is chosen. The selection of drivers for the actual case studies, i.e. module 2, is performed and argued in section ??.

Module 3 may be stated symbolically as follow. For each driver within the hazard determinant, a set  $\mathcal{H}_j$  of indicators is obtained. A similar procedure is carried out for drivers of exposure and vulnerability, resulting in sets  $\mathcal{E}_i$  and  $\mathcal{V}_k$ , respectively. Indices  $i$ ,  $j$  and  $k$  are present to clarify that each set is related to a different driver and the way these sets are indexed is not important (e.g. each of them can be a sequence of integers where each one refers to a different driver, they can be the names of the drivers they refer to). If the distinction between drivers of sensitivity and adaptive capacity is made, then it is not explicit in the indices. The reason is that these drivers are treated mathematically the same way, as explained below.

Note that in module 3 no evaluation is performed yet, hence the elements of each set are just scalar functions. In other words, they are just descriptions of how they quantify the driver.

The methodology suggests to avoid double counting of drivers by allocating each of them in one determinant only.[12, p. 29] This implies to have different indicators, even if they are defined in a similar way.

**Example**

The risk of water scarcity affecting a location is assessed. This example is inspired by [12, p. 46]. The system is the location under study. One driver of exposure and two of vulnerability are chosen, they are respectively:

**e1** presence of farmers in the region;

**v1** insufficient know-how about irrigation systems;

**v2** weak institutional setting for water management.

Both drivers of vulnerability describe the adaptive capacity of the system. All drivers are conveniently identified by labels.

An indicator for each driver is chosen, the resulting sets are:

$$\begin{aligned}\mathcal{E}_{e1} &= \left\{ \text{"number of farmers in the re-} \right. \\ &\quad \left. \text{gion"} \right\} \quad , \\ \mathcal{V}_{v1} &= \left\{ \text{"number of farmers trained in} \right. \\ &\quad \left. \text{improved irrigation techniques"} \right\} \quad , \\ \mathcal{V}_{v2} &= \left\{ \text{"number of local water co-} \right. \\ &\quad \left. \text{operations"} \right\} \quad .\end{aligned}$$

Note that all indicators consist in counting some elements of the system. Nevertheless, they are different from each other since they refer to different elements.

In module 4 the evaluation of indicators on climate and system data occurs. Concerning the system, the data collection step is explained in section ?? and scalar values are readily obtained for the elements in sets  $\mathcal{E}_i$  and  $\mathcal{V}_k$  for any driver  $i$  or  $k$ . See paragraphs about data in section ?? for the definition of the indicators of exposure and vulnerability used to describe each system.

A more convoluted path is needed to evaluate indicators of hazard. They are functions defined by equation (2.3), hence they depend on climate data and additional parameters. The former are presented in section 2.1, the latter are chosen as explained in the following paragraphs.

For each indicator, a set of values of its parameters is defined. Ideally these sets would be continuous, to explore the whole space of possible configurations of parameters. However, for limitations intrinsic to the analysis tools, only a finite and small number of values can be considered (in the following these discrete sets are called intervals to preserve generality). How values in these intervals are selected depends on the nature of the parameters. The selection is ultimately arbitrary, to allow greater control, e.g.

remove values which are not interesting for the analysis, and to apply a form of non-parametric sampling.

To simplify the explanation, consider driver  $j$  and an indicator  $I \in \mathcal{H}_j$ . This indicator depends on some parameters, which are collected in set  $P_I$ , and on some ECVs. The chosen interval for a parameter  $p \in P_I$  is a set of scalar values, possibly with units, denoted by  $S_p$ .

If parameter  $p$  is related to a ECV (e.g. threshold on tas), its values are sampled from the distribution of the ECV. First all data available for the ECV of interest are collected in a single sample, with the following conditions:

- temporal coordinates belong to the averaging period  $S_{\text{clim}}$  chosen for the normals;
- spatial coordinates are ignored.

This procedure has the side effects of removing the dependence of parameter values from spatial and temporal coordinates and to increase the sample size. The sampling is not affected by existing spatial correlation between data, because it is non parametric and regards only the possible values of the ECV and not their spatial distribution. In fact, the probability of having any value  $v$  for the ECV  $T$  in the sample is

$$\mathcal{P}(v) = \frac{1}{|S_{\text{lat}}||S_{\text{lon}}||S_{\text{clim}}|} \sum_{y \in S_{\text{lat}}} \sum_{x \in S_{\text{lon}}} \sum_{t \in S_{\text{clim}}} \mathbb{I}[T(y, x, t) = v] \quad (2.4)$$

This is a frequentist probability and gets more accurate the larger the sample size is, by definition. Second, the empirical quantile function (QF) of data is built from the sample, to acknowledge the shape of their true probability distribution. Minimum and maximum values are treated as the first and last quantiles, respectively. Since the number of data is large but limited, this curve is an approximation of the inverse function of the cumulative distribution function (CDF) and missing data are interpolated linearly. Third, values are chosen with the aim to sample the true probability distribution uniformly. The density of points may be increased where needed to have a better description of the shape of the distribution.<sup>3</sup>

If parameter  $p$  is not related to a ECV (e.g. window size for moving averages), some heuristic is applied and explained case by case where values are presented in section ??.

After  $S_p$  is defined for every  $p \in P_I$ , the indicator  $I$  is finally evaluated. This results in elements of set  $\mathcal{H}_j$  being multidimensional arrays given by equation (2.3), for every driver  $j$  of the hazard. Different indicators may

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<sup>3</sup>Why do not use derivative-based methods to set the density of points? The reason is again greater control on the selected values: there is no need to evaluate the derivative of the QF in every point, just within the subintervals which are interesting for the analysis. Note that the QF is obtained by linear interpolation between existent data points, hence the slope is already evaluated internally and the derivative is a piecewise constant function.

have different parameters, but they depend on ECVs which same spatial and temporal coordinates  $S_{\text{lat}} \times S_{\text{lon}} \times S_{\text{clim}}$ , hence they have same temporal frequency, i.e. same  $S_y$ .

These results need further elaboration. In fact, for every driver  $i$  and  $k$ ,  $\mathcal{E}_i$  and  $\mathcal{V}_k$  contain scalar values which encapsulate information about the system for the chosen time period and system without reference to spatial coordinates. To obtain an analogous result for drivers of hazard, indicators are aggregated over spatial and temporal dimensions. For simplicity intermediate results are identified with the same variable  $I$ . First, the temporal aggregation is performed. It consists in averaging the multidimensional array over the temporal dimension with a sample average. The outcome is multidimensional arrays depending on spatial coordinates and parameters:

$$I(y, x, t, \underline{z}) \mapsto I(y, x, \underline{z}) = \frac{1}{|S_y|} \sum_{t \in S_y} I(y, x, t, \underline{z}) \quad . \quad (2.5)$$

Due to the spatial resolution of data, they may contain bias with respect to the reference period, e.g. orography may influence differently the variation of some ECVs. Therefore, for every indicators  $I$ , its relative variation with respect to the reference period is used,

$$I(y, x, \underline{z}) \mapsto I(y, x, \underline{z}) = \frac{I(y, x, \underline{z}) - I_{\text{clim}}(y, x, \underline{z})}{I_{\text{clim}}(y, x, \underline{z})} \quad , \quad (2.6)$$

where symbol  $I_{\text{clim}}$  is used to refer to  $I$  evaluated for the reference period, i.e. equation (2.5) with  $S_y = S_{\text{clim}}$ . This is analogous to evaluate anomalies for indicators instead of ECVs and rescale them on the respective value of the reference period. Then, the spatial aggregation is performed by using empirical orthogonal function (EOF) analysis as a dimensionality reduction technique.<sup>4</sup> The following procedure is applied to every indicator  $I$  in its multidimensional array representation:

1. assign  $S_{\text{lat}} \times S_{\text{lon}}$  as the feature dimension of the design matrix;
2. assign  $\prod_{p \in P_I} S_p$  as the sample dimension of the design matrix;
3. apply the EOF analysis to the design matrix;
4. keep the first PC only, i.e. the coefficients corresponding to the EOF which maximises the variance in the sample dimension.

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<sup>4</sup>Terminology is varied. Here the eigenvectors, i.e. spatial patterns, are referred to as EOFs and their coefficients, i.e. temporal patterns, are the principal components (PCs). The object containing data is called design matrix with samples, i.e. observations, organised in rows and their features, i.e. variables which describe them, in columns. For further clarification on the terminology see [24, pp. 626–627] and for a recap on EOF analysis see [18, pp. 6502–6503] and [14, pp. 1121–1122].



In point 2 of the procedure, a bijective relations between the sample dimension of the design matrix and  $\prod_{p \in P_I} S_p$  is established, hence the first PC effectively maps  $I$  to a multidimensional array with coordinates in  $\prod_{p \in P_I} S_p$ :

$$I(y, x, \underline{z}) \mapsto I(\underline{z}) \quad . \quad (2.7)$$

After the spatial and temporal aggregations, for every driver  $j$  each element  $I \in \mathcal{H}_j$  depends only on parameter values in  $\prod_{p \in P_I} S_p$ .

To execute module 5, first the scale of each indicator is defined. In this work all indicators are numeric values and may have both metric or categorical scales (i.e. values are distributed uniformly or not, respectively, cf. [23, p. 109]). When metric scales are involved, the methodology suggests to apply the min-max normalisation. Instead, in the present work indicators which are scalar values are not transformed,<sup>5</sup> while indicators which depend on parameters are standardised, i.e. substituted by their z-score. More in detail, for any indicator  $I$  undergoing normalisation, the new value is

$$I(\underline{z}) \mapsto I(\underline{z}) = \frac{I(\underline{z}) - \mu_I}{\sigma_I} \quad (2.8)$$

where the sample mean

$$\mu_I = \frac{1}{\prod_{p \in P_I} |S_p|} \sum_{\underline{z} \in \prod_{p \in P_I} S_p} I_{\text{clim}}(\underline{z}) \quad (2.9)$$

and the sample standard deviation

$$\sigma_I = \sqrt{\frac{1}{\prod_{p \in P_I} |S_p| - 1} \sum_{\underline{z} \in \prod_{p \in P_I} S_p} (I_{\text{clim}}(\underline{z}) - \mu_I)^2} \quad (2.10)$$

are calculated using values obtained for the reference period  $S_{\text{clim}}$ . [19, p. 84] The advantage of equation (2.8) with respect to min-max normalisation is to be flexible when new values are introduced, in fact they are measured in terms of statistics of the reference period without breaking the normalisation.<sup>6</sup> To normalise categorical scales, the methodology suggests first to group the values in five classes, then replace them with specific values in the range  $[0, 1]$ , see [23, pp. 115–116]. Higher normalised values are associated to more negative impacts. However, this case does not occur in the present study since every indicator with categorical scale is a constant value. Not

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<sup>5</sup>Formally they are divided by a unit value of their quantity to obtain dimensionless values, which are trivially compatible and easily used as arguments in mathematical functions. Note that this is not necessary for hazard indicators because of the procedure to remove bias from climatology.

<sup>6</sup>See section A.1 for further insight on why min-max normalisation is not used.

normalising some indicators may seem wrong since normalisation is a requisite to compare them, but the reason is supported mathematically in the next paragraphs.

For module 6, the weight  $w_I$  of each indicator  $I$  is set to 1, because no particular influence on the final risk is known a priori. Since indicators are unique, there is not ambiguity to identify their weights with their names as labels. This choice of weighting has not effects on the final risk value, as explained in section 2.2.2. Then, for each determinant the weighted mean of its indicators is computed. Since all indicators are weighted equally, the result equals the arithmetic mean. In [12, p. 51] this process is represented graphically with a single indicator for each driver. The results are a scalar value for exposure

$$E = \frac{1}{\sum_i \sum_{I \in \mathcal{E}_i} w_I} \sum_i \sum_{I \in \mathcal{E}_i} w_I I \quad , \quad (2.11)$$

a scalar value for vulnerability

$$V = \frac{1}{\sum_k \sum_{I \in \mathcal{V}_k} w_I} \sum_k \sum_{I \in \mathcal{V}_k} w_I I \quad (2.12)$$

and a scalar function for hazard  $H : \prod_j \prod_{I \in \mathcal{H}_j} \prod_{p \in P_I} S_p \rightarrow \mathbb{R}$ , which depends on all parameters, defined as

$$H(\underline{z}) = \frac{1}{\sum_j \sum_{I \in \mathcal{H}_j} w_I} \sum_j \sum_{I \in \mathcal{H}_j} w_I I(\underline{z}_I) \quad (2.13)$$

where  $\underline{z}_I \in \prod_{p \in P_I} S_p$  is the sequence of values for parameters which are arguments of  $I$ . Note that there is no need to treat drivers of adaptive capacity and sensitivity separately because the aggregation procedure is applied equally to them.

### 2.2.2 Evaluation of risk

Scalar values representing each determinant of risk are aggregated into a single value. The aggregation procedure is a weighted mean, see module 7, and the weights assigned to each determinant are  $w_E = 1$ ,  $w_H = 1$  and  $w_V = 1$ . Then, analogously to the aggregation of hazard indicators in equation 2.13, the value for risk is a scalar function  $R : \prod_j \prod_{I \in \mathcal{H}_j} \prod_{p \in P_I} S_p \rightarrow \mathbb{R}$  which depends on all parameters:

$$R(\underline{z}) = \frac{w_E E + w_H H(\underline{z}) + w_V V}{w_E + w_H + w_V} \quad . \quad (2.14)$$

The risk value is a linear function of normalised hazard indicators. This can be seen easily by manipulating equation (2.14),

$$R(\underline{z}) = c_0 + \frac{w_H H(\underline{z})}{w_E + w_H + w_V} = c_0 + c_1 \sum_j \sum_{I \in \mathcal{H}_j} w_I I(\underline{z}_I) \quad (2.15)$$

with  $c_0 = \frac{w_E E + w_V V}{w_E + w_H + w_V}$  and  $c_1 = \frac{w_H}{(w_E + w_H + w_V) \sum_j \sum_{I \in \mathcal{H}_j} w_I}$ , and it holds true as long as the aggregation procedures for risk and hazard are linear.

One of the problems which justifies this work can be stated using equation (2.14): given different choices of indicators or parameters, the resulting risk value can be the same, as long as the differences in values balance out.

### Example

Risk is assessed for a system,  $E$  and  $V$  are known and only one driver of hazard is considered. Two sets of different indicators are prepared,  $\mathcal{H}'$  and  $\mathcal{H}''$ , functions may differ only in the values of their parameters. These alternatives would be equivalent to describe the driver mathematically from different points of view.

Even if all indicators have different values after the calculation steps, the aggregated values of hazard  $H'$  and  $H''$  for sets  $\mathcal{H}'$  and  $\mathcal{H}''$ , respectively, are ideally equal. The same same risk value  $R$  results from the aggregation, since  $E$  and  $V$  do not depend on the choices regarding the hazard. This is the expected outcome, because changing the mathematical description of the physical phenomenon should not change the final risk.

A final non-linear transformation is performed on risk value  $R$ , to simplify the presentation and comparison of risk values. Values obtained from all the combinations of parameters are classified accordingly to five categories, in increasing order of severity: [12, p. 53]

1. very low;
2. low;
3. intermediate;
4. high;
5. very high.

This transformation can be formalised as a piecewise function  $r : \prod_j \prod_{I \in \mathcal{H}_j} \prod_{p \in P_I} S_p \rightarrow \{\text{very low, low, intermediate, high, very high}\}$ , where the thresholds for each piece are the quantiles of the image of  $\prod_j \prod_{I \in \mathcal{H}_j} \prod_{p \in P_I} S_p$  through function  $R$  for the reference period:

$$r(\underline{z}) = \begin{cases} \text{very low} & R(\underline{z}) < q_1 \\ \text{low} & q_1 \leq R(\underline{z}) < q_2 \\ \text{intermediate} & q_2 \leq R(\underline{z}) < q_3 \\ \text{high} & q_3 \leq R(\underline{z}) < q_4 \\ \text{very high} & R(\underline{z}) \geq q_4 \end{cases} . \quad (2.16)$$

Thresholds  $q_1$ ,  $q_2$ ,  $q_3$  and  $q_4$  are calculated from risk values of the reference period because hazard drivers are supposed to change risk and impacts with time. Moreover, the pieces of the function reflect the fact that the image of  $R$  is not bounded, due to the aggregated values of determinants being not bounded by the chosen normalisation. This allows to account for extreme values of risk in periods different from the reference.

Module 7 address the possible aggregation of multiple sub-risks to an overall risk value.[12, p. 54] This task is not pursued because a single risk is studied in this work, i.e. the climate risk, and because it should be treated as a complex risk belonging to category 3, as discussed in section 1.1.3.

# Appendix A

## The supplementary information

### A.1 Min-max normalisation

When min-max normalisation is applied to a given indicator, it is rescaled to the  $[0, 1]$  interval, with higher values associated to more negative impacts. If multiple temporal periods are involved, one is chosen as reference for the extreme values.[19, p. 85]

There is the implicit assumption is that the image of the indicator is bounded and its extremes are known. This is not always true, hence the extremes must be set in alternative ways (e.g. by discussing with experts, by consulting the literature, by analysing the system), see [23, pp. 113–115].

Once the extremes are found, the min-max normalisation of an indicator can be evaluated easily. Denote its image as  $X \subset \mathbb{R}$  and the extremes as  $x_{\max} = \max X$  and  $x_{\min} = \min X$ . Then the min-max normalisation applied to  $x \in X$  is

$$\frac{x - x_{\min}}{x_{\max} - x_{\min}} . \quad (\text{A.1})$$

In literature the min-max normalisation is frequently applied as suggested by the methodology (cf. [5, p. 6], [6, p. 6] and [13, p. 74]). In the present work it is not chosen because of two downsides:

1. The methodology is applied to a single system and the ranges of indicators are not known. This means that a single value representing the system exists for any given indicator and trivially it corresponds to its minimum and maximum values, making the outcome of the normalisation undefined. In literature this problem is avoided by considering a set of systems, which results in an ensemble of values for each indicator which is assumed to be its image.
2. In periods different from the reference there may be values of the indicator which exceed the extremes. They result in normalised values

which fall outside the interval  $[0, 1]$ , invalidating the purpose of the normalisation. In literature this issue is solved by clipping the exceeding values to the corresponding extremes of the interval.

## A.2 Alternative aggregation for risk

Some methodologies suggest to evaluate risk as product of the aggregated values of exposure, hazard and vulnerability:

$$R = E H V \quad . \quad (\text{A.2})$$

This procedure is used in contexts preceding the concept of risk introduced in [11] and it is still used in later articles (see [5, p. 7] and [6, p. 6]).

This procedure is used because it admits a null risk value, i.e. negligible impacts, when either of the values for its determinant is null. This reasoning is intuitive, but hides the request that values for determinants have exactly value zero when their impacts are negligible or balance out, which depends on the aggregation procedure used to evaluate them from their indicators. Moreover, it neglects the possibility to weight each determinant differently.

With respect to how risk is evaluated in the present work (see section 2.2.2 and equation (A.2)), two considerations can be made on this procedure. First, it is possible to rewrite equation (2.14) as equation (A.2) through a continuous transformation,

$$\begin{aligned} R'(\underline{z}) &= \exp(R(\underline{z})) = \\ &= \exp\left(\frac{w_E E}{w_E + w_H + w_V}\right) \exp\left(\frac{w_H H(\underline{z})}{w_E + w_H + w_V}\right) \exp\left(\frac{w_V V}{w_E + w_H + w_V}\right) = \\ &= E' H'(\underline{z}) V' \quad . \end{aligned}$$

This allows to apply the considerations of the present study to CCRAs which evaluate risk as in equation (A.2). Note that an exact value of  $R'(\underline{z}) = 0$  can not be obtained if real data and functions are used in the methodology. Second, in equation (A.2)  $R$  is linear with respect to  $H$ . As a consequence, if equation (A.2) is used instead of equation (2.14) and every other detail of the methodology follows section 2.2.2, then the risk value  $R$  is still a linear function of normalised hazard indicators:

$$R(\underline{z}) = E V \sum_j \sum_{I \in \mathcal{H}_j} w_I I(\underline{z}_I) \quad . \quad (\text{A.4})$$

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# Definitions

**adaptation** “process of adjustment to actual or expected climate (3.4) and its effects”, from [16]. 3

**adaptive capacity** “ability of systems (3.3), institutions, humans, and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences”, from [16]. 3

**anomaly** “The deviation of a variable from its value averaged over a reference period.”, from [17, p. 2218]. 14

**climatological standard normal** “averages of climatological data computed for the following consecutive periods of 30 years: 1 January 1981-31 December 2010, 1 January 1991-31 December 2020, and so forth”, from [1, p. 2]. *see* average

**determinant** any component of risk, i.e. hazard, exposure, vulnerability, response, from [22, p. 493]. 2

**driver** individual component of a determinant, from [22, p. 493]. *see* determinant, hazard, vulnerability, exposure & response, 3

**exposure** “presence of people, livelihoods, species or ecosystems, environmental functions, services, resources, infrastructure, or economic, social or cultural assets in places and settings that could be affected”, from [16]. 2

**hazard** “potential source of harm”, from [16]. 2

**impact** “effect on natural and human systems (3.3)”, from [16]. 2

**indicator** “quantitative, qualitative or binary variable that can be measured or described, in response to a defined criterion”, from [16]. 3

**normal** “period averages computed for a uniform and relatively long period comprising at least three consecutive ten-year periods”, from [1, p. 2]. *see* period average, 9

**period average** “averages of climatological data computed for any period of at least ten years starting on 1 January of a year ending with the digit 1”, from [1, p. 2]. *see* average

**response** action enact to mitigate the effects of climate change or adapt to it. 2

**risk** “effect of uncertainty”, from [16]. 1

**sensitivity** “degree to which a system (3.3) or species is affected, either adversely or beneficially, by climate (3.4) variability or change”, from [16]. 3

**vulnerability** “propensity or predisposition to be adversely affected”, from [16]. *see* sensitivity & adaptive capacity, 2

# Acronyms

**AR6** Sixth Assessment Report.

**CCRA** climate change risk assessment.

**CDF** cumulative distribution function.

**CID** climatic impact-driver.

**ECV** essential climate variable.

**EOF** empirical orthogonal function.

**IPCC** Intergovernmental Panel on Climate Change.

**ISO** International Organization for Standardization.

**PC** principal component.

**QF** quantile function.

**SA** sensitivity analysis.

# Symbols

$\diamond$  placeholder for arbitrary argument or mathematical object.

$|\diamond|$  absolute value or, if the argument is a set, cardinality.

$\diamond|_{\text{clim}}$  relate the argument to the reference period.

$\mathbb{I}[\diamond]$  symbolic representation of a conditional test: returns 1 if the condition in square brackets is satisfied, else 0 (i.e. generalisation of a characteristic function of the argument in square brackets).